

**STATE OF ILLINOIS**  
**ILLINOIS COMMERCE COMMISSION**

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AMEREN ILLINOIS COMPANY	)	
d/b/a Ameren Illinois,	)	
Petitioner	)	Docket No. 13-0301
	)	
Rate MAP-P Modernization Action Plan -	)	
Pricing Annual Update Filing	)	

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**BRIEF ON EXCEPTIONS OF THE STAFF OF THE**  
**ILLINOIS COMMERCE COMMISSION**

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**BRIEF ON EXCEPTIONS OF THE STAFF OF THE  
ILLINOIS COMMERCE COMMISSION**

NOW COME the Staff witnesses of the Illinois Commerce Commission (“Staff”), by and through their undersigned counsel, pursuant to Section 200.830 of the Illinois Commerce Commission’s Rules of Practice (83 Ill. Adm. Code 200.830), and respectfully submit this Brief on Exceptions to the Proposed Order (“PO”) issued by the Administrative Law Judges (“ALJs”) on November 14, 2013.

**I. INTRODUCTION**

Initial Briefs (“IB”) were filed on October 2, 2013 by the Illinois Industrial Energy Consumers (“IIEC”); the Citizens Utility Board (“CUB”); the People of the State of Illinois (“People”); Staff; and Ameren. Staff’s IB identified and responded to many if not most of the arguments raised in Ameren’s IB. Reply Briefs (“RB”) were filed by the respective parties on October 11, 2013. In general, the PO reviews the issues presented in this proceeding in a clear and concise manner, is well written, and reflects the positions taken by Staff, the Company, and the intervening parties. Although Staff supports many of the PO’s conclusions, there are items to which Staff takes exception as set forth below. Staff addresses issues to which it replies in the order in which they appear in the PO.

In addition, Staff points out a number of exceptions of a technical nature which are necessary to ensure the Proposed Order's accuracy.

**II. NATURE OF AIC'S OPERATIONS**

**III. OVERVIEW OF 16-108.5 RATE PROCESS**

**IV. AIC'S PROPOSED REVENUE REQUIREMENT**

**V. RATE BASE**

**A. Resolved Issues**

**1. Construction Work in Progress (CWIP)**

**a. Accounts Payable**

**b. Duplicate Projects**

**B. Contested Issues**

**1. Cash Working Capital**

**a. Pass Through Taxes**

**b. Income Tax Expense Lead Days**

**2. Accrued Vacation Reserve**

**3. ADIT for Metro East Transfer**

The ALJPO errs in deciding this issue. This issue simply boils down to whether AIC should be allowed to artificially inflate its total rate base by merely transferring the assets of one of its operating utilities to another wholly-owned utility. Reason and common sense dictate that the answer should be "no." Furniture that is moved from one house to another house by the same owner would not change the value of that furniture simply on account of the transfer. Moving money from one's left hand to one's right hand does not make the value of that asset greater. The issue before the Commission

in this case is as simple as the two analogies above. If the Commission were to adopt the AIC position, utilities would be incented to transfer their assets internally in order to artificially raise the value of such assets to which the authorized rate of return is applied. Clearly, that would be an unjust and unreasonable outcome that would hurt ratepayers while enriching shareholders.

The ALJPO's conclusion regarding the adjustment for ADIT for Metro East Transfer states: "[h]aving reviewed the record in this proceeding, as well as the findings in the prior formula rate dockets, the Commission is not persuaded that the evidence provided is sufficient to support a result opposite of that previously reached by the Commission." (PO at 32.) This conclusion errs by apparently giving little, if any, consideration to the new evidence in this case, which was not provided in the previous cases.

In this proceeding, it is an undisputed fact that AIC agreed in a DR response that the impact at the time of the transaction inflated the rate base. (Staff Ex. 7.0, Attachment A.) It is also an undisputed fact that AIC did not offer any actual data, such as journal entries showing the continuing accrual of ADIT, which would support its claim that Staff's adjustment would double-count ADIT. (Staff RB at 9-10.) The ALJPO's decision appears to give little consideration to comparing the two prior formula rate case Orders in Docket Nos. 12-0293 and 12-0001 in light of the new evidence in this case. In AIC's two prior formula rate cases, AIC stated unequivocally that the Metro East transfer had a zero effect on its rate base; this statement has now been proven to be false through AIC's own admission in response to Staff's discovery. (Staff RB at 11; Ameren Illinois Company, Order at 30, Docket No. 12-0293 (Dec. 5, 2012); Staff Ex. 7.0, Attach. A.)

The record is clear on all of these facts. Therefore, Staff recommends that the conclusion and the related language on page 32 in the ALJPO be changed as follows:

Recommended Language:

Having reviewed the record in this proceeding, as well as the findings in the prior formula rate dockets, the Commission is ~~not~~ persuaded that the additional evidence, which consists of previously undisclosed and undisputed rate base impact at the time of the transaction and the additional testimony from Staff and AG/CUB witnesses is sufficient to support a result opposite of that previously reached by the Commission. The Commission finds that AIC has not properly accounted for the ratemaking treatment of the Metro East assets, ~~and that it appears from the evidence presented, that ratepayers will receive the appropriate tax benefits from these assets based on AIC's accounting for this issue.~~ The undisputed rate base impact at the time of the transaction and the lack of evidence by AIC in refuting the new evidence is substantially different from the decisions in the prior formula rate dockets where AIC stated unequivocally that there was no rate base impact. Here, AIC failed to provide any evidence to support its position. Accordingly, the adjustment proposed by Staff and AG/CUB will be adopted in this Order.

If, however, the Commission maintains the conclusion in the ALJPO, which Staff contends it should not, then Staff additionally recommends that the Commission direct the Company to timely provide the necessary data to Staff related to future internal asset transfers. Such information is essential in determining that ratepayers will not be harmed by the regulatory treatment of the internal transfer of assets from one AIC operating utility to another AIC operating utility. Accordingly, Staff recommends adding this language to the end of its conclusion on page 32 on this issue:

Recommended Language:

If a party wants to propose a similar adjustment in future proceedings, the information should be requested by that party and AIC shall provide the requested information to demonstrate with actual amounts or calculated amounts from the books and records of the involved entities that AIC ratepayers were not and will not be harmed by the regulatory treatment of the internal transfer of assets from one AIC operating utility to another AIC operating utility.



#### **4. OPEB Contra Liability**

The relevant question before the Commission is whether shareholders should earn a return on assets funded by ratepayers. The PO sidesteps this key question, however, and instead addresses whether the asset at issue (OPEB contra liability) is required by law to earn a return. Unfortunately, even to that incorrect question, the PO arrives at an incorrect conclusion. The plain language of the law clearly indicates that the PO's conclusion that "EIMA allows AIC to earn a return for this item...." is simply wrong. (PO at 36.)

Section 16-108.5(c)(4)(D) of EIMA authorizes a utility to earn an investment return on *pension assets* equal to the utility's weighted average cost of long-term debt. It also specifically defines pension asset to be the amount reported as such in "Account 186...of the utility's most recently filed FERC Form 1, net of deferred tax benefits." The OPEB contra liability at issue here is not recorded as a pension asset in Account 186 of the Company's most recently filed FERC Form 1. Clearly, this subsection of EIMA applies only to pension assets and makes no provision for assets designated as Other Post Employment Benefits ("OPEB") or "contra-liabilities." In fact, EIMA does not dictate regulatory treatment of the OPEB contra-liability; therefore, the regulatory treatment of the OPEB contra-liability should be "subject to a determination of prudence and reasonableness consistent with Commission practice and law" as required by Section 16-108.5(c)(4).

The primary factor in determining whether the OPEB contra-liability or any asset (except for pension assets as defined under statute) should be included in rate base is whether the source of the funds that created the asset represents a shareholder investment or funds provided by ratepayers. If such an asset represents a shareholder

investment, the proper regulatory treatment would be to include such asset in rate base. If such an asset represents funds provided by shareholders, the proper regulatory treatment is to not include the asset in rate base because such treatment would permit shareholders to earn a return on monies provided by ratepayers. In rebutting Staff's adjustment, the Company provided no evidence that any excess contributions to the trust fund were made with discrete shareholder contributions, e.g., funds obtained from sources *other than operating revenues*. (Ameren Ex. 9.0, 16-19.) Staff found no evidence that shareholders provided funds in excess of the accrual expense amount already recovered from ratepayers. (Staff Ex. 8.0, 6:87-92.) Moreover, ratepayers continue to be charged for OPEB expense in utility rates. This is borne out by the fact that the 2012 reporting year reflects OPEB costs in the amount of \$9,772,725 (Ameren Schedule C-11.3a, p. 2, line 7, column (H)) that AIC has collected from ratepayers. Because ratepayers have supplied the cash for the OPEB expenses through on-going utility rates, ratepayers should not also have to provide shareholders with a return on those contributions. (Staff Ex. 8.0, 7:94-99.)

The Commission has held this position in many cases, including several North Shore and Peoples Gas Orders. (ICC Order Docket Nos. 07-0241/07-0242 (Cons.) (February 5, 2008); ICC Order Docket Nos. 09-0166/09-0167 (Cons.) (January 21, 2010); ICC Order Docket Nos. 11-0280/11-0281 (Cons.) (January 10, 2012); ICC Order Docket Nos. 12-0511/12-0512 (Cons.) (June 18, 2013).) For cases other than Peoples and North Shore Orders, see *Central Illinois Light Co. d/b/a AmerenCILCO, et al.*, Order, Docket Nos. 06-0070, 06-0071, and 06-0072, (cons.), November 21, 2006, pp. 27-28; *Northern Illinois Gas Company d/b/a Nicor Gas Company*, Order, Docket No. 04-

0779, September 20, 2005, pp. 22-23; *Northern Illinois Gas Co. ("Nigas")*, Order, Docket No. 95-0219, April 3, 1996, pp. 9-10, 1996 Ill. PUC LEXIS 204, \*19-\*23, *affd. sub nom. Nigas, et al. v. Illinois Commerce Comm'n*, Order of June 23, 1997, Appeal Nos. 3-96-0473, etc. (cons.); and *GTE North Inc.*, Order, Docket Nos. 93-0301 and 94-0041 (cons.), October 11, 1994, pp. 8-13, 1994 Ill. PUC LEXIS 436, \*16-\*26, *affd. sub nom. Citizens Utility Board, et al. v. Illinois Commerce Comm'n*, Order of July 12, 1995, Appellate Court Docket Nos. 4-94-1103, 4-94-1104, and 4-94-1122 (cons.), *cert den.* December 6, 1995, Sup. Ct. Docket No. 79931, Petition of GTE North.

Beyond the Commission, Illinois courts have also long-held that for ratemaking purposes a public utility may not receive a return on investment from ratepayers for ratepayer-supplied funds. See e.g., *City of Alton v. Illinois Commerce Comm'n*, 19 Ill. 2d 76, 85-6 and 91 (1960); *DuPage Utility Co. v. Illinois Commerce Comm'n*, 47 Ill. 2d 550, 554 and 558 (1971); and *Central Illinois Light Co. v. Illinois Commerce Comm'n*, 252 Ill. App. 3d 577, 583-3 (3rd Dist., 1993). See also *Business and Professional People for the Public Interest v. Illinois Commerce Comm'n ("BPI II")*, 146 Ill. 2d 175, 258 (1991)).

Accordingly, there is no basis for the Commission to consider anything beyond the source of the monies - revenues collected from ratepayers in the form of utility rates - in adopting Staff's adjustment to exclude the so-called "OPEB Contra-Liability" from rate base. Consequently, because there is no evidence that shareholders provided funds in excess of the accrual expense amount already recovered from ratepayers and the fact that ratepayers continue to be charged for OPEB expense, Staff urges the Commission to accept Staff's adjustment. Staff's proposal is consistent with numerous prior Commission decisions and decisions by the Illinois courts that correctly recognize

the fundamental principle that if ratepayers provide the funding for OPEB expenses, they should not also be required to pay shareholders a return for monies that they (ratepayers) provided. (Staff IB, p.11.)

Staff proposes the following replacement language to the Commission's Analysis and Conclusion on page 36 of the PO regarding this matter.

### **c. Commission Conclusion**

The Commission notes that Staff proposes an adjustment to remove from rate base \$827,000 for the OPEB Contra-Liability balance, net of ADIT. Staff ~~suggests~~ asserts that there is no evidence that any excess contributions to the trust fund were made with discrete shareholder contributions, ~~and because, therefore,~~ and ratepayers have supplied the cash for the OPEB expenses through on-going utility rates, and Staff believe ~~asserts~~ that ratepayers should not have to provide shareholders with a return on ~~excess contributions.~~ monies supplied by ratepayers. Staff further notes that EIMA contains no provision regarding the regulatory treatment of OPEB, as it does for pension assets; accordingly, the regulatory treatment of OPEB should be consistent with prior Commission practice and law. Based on numerous prior orders, as cited in Staff's testimony and briefs, the Commission has consistently held the position that shareholders are not allowed to earn a return on funds supplied by ratepayers. Therefore, the Commission adopts Staff's adjustment to remove the OPEB contra-liability from rate base.

~~AIC acknowledges that it has reflected in rate base an OPEB Contra-Liability amount of \$1.4 million, and notes that the approved formula rate schedules have a specific line item (Line 34) on Sch. FR-B-1 for inclusion of the OPEB liability balance in Rate Base, even if the year-end 2012 balance is negative, or "contra." Because the OPEB Contra Liability represents amounts funded into the OPEB Trust in excess of amounts recovered from customers as operating expenses in rates, AIC states that inclusion in rate base is appropriate. AIC argues that it has in 2012 funded more into the OPEB Trust than the accrual expense amount reflected in rates, and by including this difference as an OPEB contra-liability and reflecting it in rate base, AIC properly earns a return on this amount and is compensated for the timing difference.~~

The Commission believes that Staff AIC has properly set out the issue in this proceeding, which the Commission recognizes is an update to the formula rate-making, and not a proceeding under traditional rate-making methods. Nevertheless, EIMA makes no specific provision for recovery of OPEB assets or so-called 'contra-liabilities'. Therefore, the Commission believes that the EIMA does not allows AIC to earn a return

for this item, as suggested by AIC, ~~therefore~~ Accordingly, Staff's proposed adjustment is ~~denied~~ adopted.

**C. Original Cost Determination**

**D. Recommended Rate Base**

- 1. Filing Year**
- 2. Reconciliation Year**

**VI. OPERATING EXPENSES AND EXPENSES**

**A. Uncontested or Resolved Issues**

- 1. Company Use of Fuels**
- 2. Outside Professional Services**
  - a. Illinois Power Payments**
  - c. SFIO Non-Rate Case Expense**
- 3. Incentive Compensation – Derivative Adjustment**
- 4. Rate Case Expense**
- 5. Industry Dues Expense**
- 6. Miscellaneous General Expense (Wells Fargo)**
- 7. Strategic International Group Expense (Account 909)**
- 8. Account 588 – Miscellaneous Distribution Expense:**
  - a. Economic Consulting Fees**
  - b. Advertising Costs**
  - c. Individual Expenses**
  - e. Purchases – Other (Reclassified Capital)**
  - f. Purchases – Other (Reclassified Rate Case Expense)**

**g. Relocation Expense (AIC Self-Disallowed Expense)**

**9. Miscellaneous Operating Revenues – Overhead and Miscellaneous**

**B. Contested Issues**

**1. Miscellaneous Operating Revenues - ARES**

**2. Relocation Expense – Loss on Sale and Payroll Uploading (Account 588)**

The PO errs in its conclusion allowing Ameren to recover through base rates the loss on sale provision that is included in Ameren’s relocation policy. The main basis for the PO’s conclusion appears to be that “loss on sale provisions are not uncommon recruitment tools among large corporations.” (PO at 50.) This conclusion, however, is unresponsive to the Company’s argument and the basis of Staff’s rejection of the argument. Ameren stated only that other large corporations offer relocation benefits similar to Ameren’s. (AIC IB, 34.) There is nothing in the record evidence to indicate that the relocation benefits offered by other employers include the Loss on Sale provision to which Staff objects. Ameren had opportunity in surrebuttal testimony to provide that evidence, but failed to do so.

Rather, the record shows that Ameren agreed that the decline in home values is not unique to potential Ameren employees, but is a fact for any home owner in the Midwest. (Ameren Ex. 19.0, 5:94-96.) Ameren ratepayers are no better situated to cover the loss on the sale for a potential Ameren employee than that employee is himself. Therefore, Staff recommends that the conclusion for the Relocation Expense - Loss on Sale, on page 50 of the PO should be revised as follows:

**c. Commission Conclusion**

The Commission has considered the parties' arguments and is ~~not~~ persuaded that the loss on sale adjustment sought by Staff is appropriate. ~~As While AIC indicates argues, such loss on sale provisions relocation benefits similar to those offered by Ameren are not uncommon recruitment tools among large corporations, no evidence was provided in this case that experienced and skilled candidates would have likely turned down employment at AIC without this additional generous benefit. Moreover, nothing has been provided in evidence to indicate that those large corporations have the same loss on sale provision in their relocation policy, or even if those employers have a relocation policy included in their employee benefit plans. based on the description in the record and in the absence of evidence to the contrary, Ameren's loss on sale program does not seems~~ unreasonably generous given Ameren ratepayers are in no better position to cover the loss on sale than would the Ameren employee receiving the benefit. Staff's adjustment is approved.

**3. Purchases – Other (Account 588)**

**4. Other Credit Card Purchases**

**5. Sponsorship Expense (Account 930.1)**

The PO should be corrected to disallow those sponsorship expenses that do not meet the legal standard for recovery as set forth in Section 9-225(c) and Section 16-108.5(c)(1) of the Act. Sponsorship expenses are subject to a two-prong test:

1. Is the expenditure promotional, goodwill or institutional advertising and, thus, prohibited from recovery under Section 9-225(c)?; and
2. Is the expenditure necessary for the provision of utility service, provides a benefit to ratepayers, is prudent, reasonable in amount and related to delivery service under Section 16-108.5(c)(1) of the Act?

Staff will not enumerate the deficiencies of each unworthy sponsorship expense; however, it begs the question: why should distribution ratepayers pay for utility expenses that were not shown to meet the above two-prong test such as the following:

1. Decatur Celebration – Outdoor Festival (\$4,200). Ameren failed to explain why this expenditure is necessary for the provision of delivery service or why this

expenditure is not considered goodwill advertising. (Ameren Ex. 24.1, lines 31-32.)

2. Peoria Civic Center – Broadway Theater Series Sponsorship (\$6,300), Peoria Civic Center Signage Agreement (\$10,584), Purchase Rate upcharge (\$318) and Worldfest Sponsorship (\$1,200). Ameren failed to explain why these expenditures are necessary for the provision of delivery service or why these expenditures are not considered goodwill/promotional advertising. (Ameren Ex 24.1, lines 125-129.)
3. Peoria Rivermen Hockey – Sponsorship (\$20,582). Ameren failed to explain why the sponsorship of a hockey team is necessary for the provision of utility service. (Ameren Ex 24.1, lines 132-133.)
4. Quincy Area – Quincy Gems Baseball Sponsorship (\$900). Ameren has failed to explain why the sponsorship of a baseball team is necessary for the provision of utility service. (Ameren Ex. 24.1, lines 136-137.)

As the petitioning party, Ameren has the burden of proof to demonstrate that the expenses it seeks to recover from ratepayers are just and reasonable. “If the Commission enters upon a hearing concerning the propriety of any proposed rate or other charge...the burden of proof to establish the justness and reasonableness of the proposed rates or other charges...shall be upon the utility.” 220 ILCS 5/9-201(c) In addition, “The Commission shall apply the same evidentiary standards, including, but not limited to, those concerning the prudence and reasonableness of the costs incurred by the utility, in the hearing as it would apply in a hearing to review a filing for a general increase in rates under Article IX of this Act.” 220 ILCS 5/16-108.5(d) Thus, Staff recommends that the PO be corrected to disallow those sponsorship expenses that represent promotional, goodwill or institutional advertising that are prohibited under Section 9-225(c) or are not necessary for the provision of utility service or do not provide a ratepayer benefit so as to be prohibited under Section 16-105.5(c) of the Act. Staff further recommends that the following table replace the one on pages 77-78 of the PO.



Line	Recipient	Electric Allocation (\$)	Description	Ameren Ex. 24.1 (Rev.) line #
1	Beardstown Chamber of Commerce	100	Halloween candy	3
2	Belleville East High School	300	Hockey team Thanksgiving 5K run	6
3	<b>Children's Home</b>	<b>1260</b>	<b>Maui Jim Golf Classic</b>	<b>20</b>
4	<b>City of Elmwood</b>	<b>300</b>	<b>Canine Program</b>	<b>24</b>
5	City of Hillsboro	1,200	Payment 5 of 5 Lighting at sports complex	26
6	City of Peoria	1,260	State of the City Luncheon and speaker sponsorship	28
7	<b>Decatur Celebration</b>	<b>4,200</b>	<b>Sponsorship of Outdoor Festival</b>	<b>32</b>
8	<b>Decatur Futures Charity</b>	<b>1,320</b>	<b>Tate and Lyle Championship</b>	<b>34</b>
9	<b>Decatur Human Relations</b>	<b>360</b>	<b>MLK Sponsorship Banquet</b>	<b>36</b>
10	<b>Decatur Park District</b>	<b>6,000</b>	<b>Decatur Park Singers and First Tee Sponsorship</b>	<b>38</b>
11	<b>Edwardsville Glen Carbon Chamber</b>	<b>387</b>	<b>6/22/2012 Edwardsville/Glen Carbon Chamber of Comm</b>	<b>42</b>
12	<b>Edwardsville Rotary</b>	<b>312</b>	<b>30<sup>th</sup> Annual Rotary Fundraiser on May 18, 2012 CO</b>	<b>44</b>
13	Greater Belleville Chamber of Commerce	60	UNCLEAR - listed as "Newsletter" and "Coworkers attendance"	55
14	Greater Decatur Chamber of Commerce	4,308	Thanksgiving luncheon sponsorship	57
15	Illinois Central College	1,500	Cougar Plex 2nd installment sponsorship	65
16	Illinois High School Association	22,700	March Madness Experience sponsorship and banquet	69
17	Lincoln Trail College	60	Donation to support the "E" and reference to candy	83
18	Lincoln Trail College	30	UNCLEAR - listed as "Donation to the Crawford Coun" and "Triathlon for Kids"	84
19	Mattoon High School	75	"Project Graduation"	86
20	Mattoon Lightworks	300	Contribution for Lightworks	88
21	Paxton Area Chamber	60	Donation to the Paxton Area to Support the ...	109
22	Pekin Area Chamber of Commerce	150	Fireworks celebration	114
23	Pekin Park District	300	Band concert	116
24	Peoria Area Chamber of Commerce	1,860	Community Thanksgiving luncheon	118
25	Peoria Area Community Events	600	Santa Claus parade Under the Sea Float	121
26	Peoria Area Community Events	126	Yule like Peoria pole decoration	122
27	<b>Peoria Civic Center</b>	<b>6,300</b>	<b>Broadway Theater Series Sponsorship</b>	<b>126</b>
28	<b>Peoria Civic Center</b>	<b>10,584</b>	<b>Peoria Civic Center Signage</b>	<b>127</b>

			<b>Agreement</b>	
<b>29</b>	<b>Peoria Civic Center</b>	<b>318</b>	<b>Purchase Rate</b>	<b>128</b>
<b>30</b>	<b>Peoria Civic Center</b>	<b>1,200</b>	<b>Worldfest Sponsorship</b>	<b>129</b>
<b>31</b>	<b>Peoria Rivermen Hockey</b>	<b>20,582</b>	<b>Sponsorship</b>	<b>133</b>
<b>32</b>	<b>Peoria Symphony Orchestra</b>	<b>2,550</b>	<b>Sponsorship 115<sup>th</sup> Season</b>	<b>135</b>
<b>33</b>	<b>Quincy Area</b>	<b>900</b>	<b>Quincy Gems Baseball Sponsorship</b>	<b>137</b>
34 48	Southwestern Illinois Employers Association	900	Annual meeting	147
<b>35</b>	<b>Southwestern Madison County Chamber</b>	<b>429</b>	<b>Contribution For Dan Brown Memorial Fundraiser</b>	<b>149</b>
<b>36</b>	<b>Springfield Urban League</b>	<b>130</b>	<b>Table at Awards Dinner</b>	<b>151</b>
37 49	Taylorville Optimist Club	1,200	Tournament sponsorship	153
38 20	Tazewell Columbus Club	576	Punkin Chuckin sponsorship	155
<b>39</b>	<b>US Cellular Coliseum</b>	<b>6,000</b>	<b>Advertising Partnership for 2012</b>	<b>162</b>
<b>40</b>	<b>West Richland Parent Teacher Organization</b>	<b>60</b>	<b>One Hundred Dollar Donation to the West Richland P...</b>	<b>168</b>
41 24	TOTAL DISALLOWANCE	100,857 37,405		
<b>42</b>	<b>Increase in Self Disallowance</b>	<b>3,172</b>		
<b>43</b>	<b>Subtotal</b>	<b>\$ 104,029</b>		
<b>44</b>	<b>Jurisdictional Allocation Factor</b>	<b>92.06%</b>		
<b>45</b>	<b>TOTAL DISALLOWANCE</b>	<b>\$ 95,769</b>		

Note: Above disallowance of \$100,857 represents Staff proposed disallowance of \$98,997 (Staff Ex. 10.1, line 79c) and the PO's additional \$1,860 disallowance at line 24 in the above table. In its rebuttal testimony, Ameren increased the amount of "self disallowance," but did not reflect that change in its revenue requirement. Thus, line 42 is necessary in the above calculation. (Staff Ex. 10.1, 4b: 80).

**Bold Font** = additional disallowance from PO.

### Technical Corrections

In addition to the above substantive changes to this section of the PO, the technical corrections presented below are necessary to correct the position taken by the PO. As explained below, the PO erroneously used an incorrect amount (i.e., \$100 vs. \$300 for the Belleville High School adjustment) or omitted certain details (i.e., the jurisdictional allocation factor). Staff recommends the following technical corrections should be made to the chart of disallowed sponsorship expense presented on pages 77 and 78 of the PO:

1. The amount of the adjustment on line 2 for the disallowance of the Belleville East High School hockey team sponsorship should be corrected from \$100 to \$300. (Ameren Ex. 24.1 line 6.)
2. Line 21: to correct the total amount disallowed given the correction at line 2 and remove the word "DISALLOWANCE".
3. Line 22: add line 22 and the related caption "Jurisdictional Allocation Factor" and "92.06%", to present the jurisdictional allocation factor.
4. Line 23: add line 23 and the related caption "TOTAL DISALLOWANCE" and the double underlined adjustment amount of "\$ 34,619" to present the revised adjustment.

Line	Recipient	Electric Allocation (\$)	Description	Ameren Ex. 24.1 (Rev.) line #
1	Beardstown Chamber of Commerce	100	Halloween candy	3
2	Belleville East High School	<b>300</b> <del>400</del>	Hockey team Thanksgiving 5K run	6
3	City of Hillsboro	1,200	Payment 5 of 5 Lighting at sports complex	26
4	City of Peoria	1,260	State of the City Luncheon and speaker sponsorship	28
5	Greater Belleville Chamber of Commerce	60	UNCLEAR - listed as "Newsletter" and "Coworkers attendance"	55
6	Greater Decatur Chamber of Commerce	4,308	Thanksgiving luncheon sponsorship	57
7	Illinois Central College	1,500	Cougar Plex 2nd installment sponsorship	65
8	Illinois High School Association	22,700	March Madness Experience sponsorship and banquet	69
9	Lincoln Trail College	60	Donation to support the "E" and reference to candy	83
10	Lincoln Trail College	30	UNCLEAR - listed as "Donation to the Crawford Coun" and "Triathlon for Kids"	84
11	Mattoon High School	75	"Project Graduation"	86
12	Mattoon Lightworks	300	Contribution for Lightworks	88
13	Pekin Area Chamber of Commerce	150	Fireworks celebration	114
14	Pekin Park District	300	Band concert	116
15	Peoria Area Chamber of Commerce	1,860	Community Thanksgiving luncheon	118
16	Peoria Area Community Events	600	Santa Claus parade Under the Sea Float	121
17	Peoria Area Community Events	126	Yule like Peoria pole decoration	122
18	Southwestern Illinois Employers Association	900	Annual meeting	147
19	Taylorville Optimist Club	1,200	Tournament sponsorship	153
20	Tazewell Columbus Club	576	Punkin Chuckin sponsorship	155

21	TOTAL DISALLOWANCE	\$ 37,605
		<del>37,405</del>
<u>22</u>	<u>Jurisdictional Allocation Factor</u>	<u>92.06%</u>
<u>23</u>	<u>TOTAL DISALLOWANCE</u>	<u>\$ 34,619</u>

## 6. Community Outreach Expense (Account 908)

The PO should be corrected to exclude the recovery of \$1,080 for the Sangamon County Fair community outreach expense. The PO relies on a mistaken interpretation of the Company's testimony that AIC provided an informational "booth" at the fair. However, AIC's direct testimony at Ameren Ex 6.2 (Rev.), in the "AIC Booth" column for the Sangamon County Fair simply indicates "Event," It does not state "booth" as it did for three other outreach expenses which were allowed recovery by Staff. Thus, it cannot be reasonably concluded that the Sangamon County Fair expense was for an allowable information booth expense. The three allowable outreach expenses which identify "booth" participation are (1) Herrinfesta Italiana, (2) Seniorama, and (3) Illinois Municipal League – Summer Board Meeting. (See, Ameren Ex. 6.2 (Rev.), 4 and Staff Ex. 10.02, 2: 5, 8, and 10.)

Similarly, in his rebuttal testimony Ameren witness Kennedy does not state that AIC provided an information booth at the Sangamon County Fair even though the "booth criteria" was first discussed in Staff direct testimony (Staff Ex. 5.0, 5-6: 110-114.) and would have been responsive to Staff's direct testimony. Mr. Kennedy provides the following discussion with respect to the Heart of Illinois Fair and the Sangamon County Fair:

For these two sponsorships, there was no(t) *[sic]* a specific print advertisement. But in each instance, AIC had signage in the event space. In addition the financial support provided to the organizers of these two events was given for the purpose of helping create an effective educational attraction and drawing attendees. (Ameren Ex. 14.0, 32: 671-674)

Again in surrebuttal, the Ameren witness does not state that an information booth was provided. (Ameren Ex. 24.0, 3-14: 33-276.) Therefore, the Sangamon County Fair outreach expense should be denied recovery.

Staff's proposed language changes to the PO are to (1) eliminate the last two sentences in the Commission Conclusions paragraph on page 79, (2) add a line in the table which identifies the disallowance for the Sangamon County Fair ("sponsorships") community outreach expense, and (3) to re-number the lines in the revised table accordingly. These language changes are shown as the following:

~~...as a recoverable operating expense. The only Staff disallowance that the Commission disagrees with is at line 15 of Ameren Ex. 24.2(Rev.) and concerns the Sangamon County Fair. Ameren Ex. 24.2(Rev.) seems to indicate that AIG provided brochures and had a booth at the fair, which arguably benefitted customers.~~

Line	Recipient	Electric Allocation (\$)	Description	Ameren Ex. 24.2 (Rev.) line #
1	Arcola Chamber of Commerce	150	Broom Corn Festival	3
2	Heart of Illinois Fair	3,000	Family Fun Zone	9
3	Pinckneyville Chamber	600	Mardi-gras	13
<b>4</b>	<b>Sangamon County Fair</b>	<b>1,080</b>	<b>Sponsorships</b>	<b>15</b>
5 4	Washington Chamber	350	Cherry Festival	19
6 5	Lincoln-Logan County	600	Lincoln Art and Balloon Festival	23
7 6	Murphysboro	600	Apple Festival	25
8 7	TOTAL DISALLOWANCE	\$6,380 5,300		

## 7. Advertising and Public Relations Expense

The technical corrections presented below are necessary to correct the position taken by the PO. These technical corrections are intended to add clarity to the PO. Staff recommends that six technical corrections be made to his section of the PO.

The first technical correction is to include references to lines 92, 93, and 115 in the calculation of the \$248,363 adjustment delineated in the second paragraph on page 94 of the PO and to indicate that of that amount, \$228,643 is allocated to electric distribution. (PO at 94.) That paragraph should read as follows:

The expenses disallowed under the two prior paragraphs are found at lines 44 through 53, 55 through 60, 74, 88, 92, 93, 94 through 96, 99, 111, 113, 114, 115 118 through 124, 126, 128 through 131, 133 through 135, 137 through 141, 143 through 146, 148 through 155, 157, and 158. The total disallowed amount apportioned to electric delivery service customers equals \$248,363, of which \$228,643 is allocated to electric distribution. Perhaps had AIC provided more information on these expenses, it would not face this disallowance.

(Note: the \$248,363 adjustment is presented in column (b), line 13 and the \$228,643 is presented in column (d), line 13 in the chart below.)

The second technical correction is to apply the 92.06% jurisdictional allocation factor to the adjustments recorded in Account 930.1 with the exception of three adjustments proposed by the AG which have already been jurisdictionalized. These three AG adjustments are the St. Louis Business Journal (\$13,995), Obata (\$5,989) and Karen Foss (\$42,015) and are presented on lines 14, 16 and 17 in the chart below. (See, AG Ex. 1.3, 3.)

The third technical correction is to add a sentence at the end of the last paragraph in this section of the PO on page 95 to summarize the total amount of Public Relations Expense disallowed by the Commission. (PO at 95.) The added sentence reflects technical corrections 2 and 3 and is shown in underlined font as the following:

[E]lectric delivery services is not known. Accordingly, for the reasons argued by the AG, the Commission adopts the AG's adjustment concerning Ms. Foss. As discussed above, the Commission concludes that, in total, \$583,433 in Advertising and Public Relations Expense should be disallowed.

The fourth technical correction is to include a table which shows the derivation of the \$583,433 adjustment discussed on pages 79-95 of the PO.

Line No.	Description	Disallowance Per PO	Jurisdictional Allocation Factor	Revised Adjustment
	(a)	(b)	(c)	(d)
1	FEFL – ActOnEnergy Workshops	\$ 4,125	100.00%	\$ 4,125
2	Ameren Simantel Self Disallowed	9,182	92.06%	8,453
3	FEFL	47,846	92.06%	44,047
4	Rider EDR Recovery	8,556	92.06%	7,877
5	Logos for Internal Employee Groups	6,143	92.06%	5,655
6	Customer Education Program	15,902	92.06%	14,639
7	Electric Generation	10,123	92.06%	9,319
8	Economic Development	37,556	92.06%	34,574
9	Annual Report – 75% Disallowed	5,826	92.06%	5,363
10	Point of View 2012 Report	45,573	92.06%	41,995
11	Conduct Media Training	37,458	92.06%	34,484
12	Educational Messaging thru GOB	80,154	92.06%	73,790
13	Expense Not Related to Delivery Sv.	248,363	92.06%	228,643
14	St. Louis Business Journal	13,995	N/A	13,995
15	St. Louis Business Journal	9,244	92.06%	8,510
16	Obata	5,989	N/A	5,989
17	Karen Foss	42,015	N/A	42,015
18	Total	<u>\$ 628,050</u>		<u>\$ 583,433</u>

The fifth technical correction is to revise the amount of the adjustment from \$628,050 to \$583,433 as presented in Appendix A, Schedule 2, p. 3, column (u) as “Public Relations Expense (Per Order)”.

The sixth technical correction is to make the same correction, to revise the amount of the adjustment from \$628,050 to \$583,433, but to Appendix B, Schedule 2, p. 3, column (w).

## **VII. COST OF CAPITAL AND RATE OF RETURN**

### **A. Resolved Issues**

- 1. Rate of Return on Common Equity**
- 2. CWIP Accruing AFDUC Adjustments**
- 3. Balance and Embedded Cost of Preferred Stock**

### **B. Contested Issues**

- 1. Capital Structure**
- 2. Common Equity Balance**
- 3. Balance and Embedded Cost of Long-Term Debt**

The PO adopts Staff's proposed embedded cost of long-term debt of 7.10% for the purposes of this proceeding, stating: "[t]here is no question that the Commission previously found AmerenIP made an imprudent decision that caused its cost of long-term debt to be higher than necessary." (PO at 137.) Further, the PO recognizes that "Staff claims its proposed adjustment is necessary to reflect the impact of AmerenIP's imprudent decision on AIC's cost of long-term debt during 2012." (PO at 137 (emphasis added).) That is, Staff's proposed adjustment removes the portion of the redemption cost associated with \$50 million of the \$87.1 million redemption of excess, high-cost debt, which is consistent with the Commission's findings in AIC's previous cases, Docket Nos. 09-0306 - 09-0311 (Cons.) and 11-0282, that during 2008, AmerenIP issued \$50 million more high-cost debt than it required for utility operations. Yet, the PO



conclusion regarding the embedded cost of long-term debt also refers to Section 9-230 of the Act, which is not the basis for Staff's adjustment.

The Commission should be careful not to confuse the standards of prudence and reasonableness with the requirements in Section 9-230 of the Act. First, as Staff has noted in briefs, the Court has held that Section 9-230 imposes a higher standard than reasonableness (and/or prudence) regarding any increased risks and costs of capital due to a utility's affiliation with non-utility and unregulated affiliates. The Appellate Court explained that there was an "absolute" standard under Section 9-230, in stating that:

Section 9-230 does not allow the Commission to consider what portion of a utility's increased risk or cost of capital caused by affiliation is "reasonable" and therefore should be born by the utility's ratepayers; the legislature has determined that *any increase whatsoever* must be excluded from the ROR determination. *It is impermissible for the Commission to substitute its reasonableness standard for the legislature's absolute standard.*

(Staff IB at 55; Staff RB at 44, *both citing Illinois Bell Telephone Co. v. Illinois Commerce Comm'n*, 283 Ill. App. 3d 188, 207 (2d Dist. 1996)(emphasis added)).

Second, while transactions between Ameren Corp. and Illinois Power, such as the former's unnecessary \$60 million 2-day loan to the latter, could require adjustments under Section 9-230 because the former is an unregulated, non-utility affiliate of the latter, transactions between AmerenCIPS and Illinois Power, such as the latter's loan to the former, would not be subject to Section 9-230 of the Act since both entities were utilities under the Act. (PO at 134.) As described in Staff's proposed language below, the Commission's Order in Docket Nos. 09-0306 et al. (Cons.) concluded that Illinois Power's \$50 million money pool loan to Ameren CIPS was an important factor in reaching its conclusion that \$50 million of the 9.75% debt was imprudent. (Central Illinois Light Co. d/b/a AmerenCILCO, Central Illinois Public Service Co. d/b/a

AmerenCIPS, Illinois Power Co. d/b/a Ameren IP, ICC Order at 143, Docket Nos. 09-0306 – 09-0311 (Cons.)(April 29, 2010).)

Thus, Staff respectfully requests that the Commission modify the rationale for adopting Staff's embedded cost of long-term debt in Section VII.B.3.c. on pages 136 - 137, as provided in the language below. Making this change to the PO would more accurately reflect the arguments of Staff and AIC on this issue. Moreover, given the changes below largely mirror the rationale for a similar conclusion in the PO for AIC's concurrent gas delivery services rate case, Docket No. 13-0192, making these changes would promote harmony among concurrent Commission Orders for AIC's gas and electric operations.

## **VII. COST OF CAPITAL AND RATE OF RETURN**

### **B. Contested Issues**

#### **3. Balance and Embedded Cost of Long-Term Debt**

##### **c. Commission Conclusion**

With regard to AIC's balance of long-term debt, the Commission notes the parties made arguments that the Commission appreciates and enjoyed reviewing. In light of the Commission's adoption of Staff's imputed capital structure above, however, the Commission finds that no action need be taken regarding AIC's long-term debt balance.

With regard to AIC's cost of long-term debt, there is one dispute between AIC and Staff that must be resolved. Staff argues that a downward adjustment to AIC's cost of long-term debt is necessary to reflect the fact that the Commission previously concluded AmerenIP made an imprudent decision in issuing long-term debt. Staff claims its proposed adjustment is necessary to reflect the impact of AmerenIP's imprudent decision on AIC's cost of long-term debt during 2012. For the reasons summarized above, AIC does not believe Staff's proposed adjustment is necessary or appropriate.

There is no question that the Commission previously found AmerenIP made an imprudent decision that caused its cost of long-term debt to be higher than necessary.

In Docket No. 09-0306 the Commission found, in part, "that AmerenIP issued more long-term debt than required for AmerenIP's utility operations, especially at a time when AmerenCIPS was relying on low cost money pool funds, contributed in part by AmerenIP, rather than resorting to the issuance of costly long-term debt." The Commission concluded, "[t]he Commission agrees with Staff that AmerenIP's proposal would unnecessarily burden ratepayers with \$50 million in excess debt at a relatively high interest rate of 9.75%. The Commission will, therefore, adopt Staff's proposed long-term debt balance for AmerenIP for the purposes of this proceeding." Final Order at 143, Docket Nos. 09-0306 – 09-0311 (Cons.). We affirmed our decision in Docket No. 11-0282. Order at 75-76, Docket No. 11-0282.

In 2012, AIC, issued \$400 million of 2.7% bonds, \$87.1 million of the proceeds of which were used to redeem the same amount of 9.75% bonds. AIC used the net proceeds of that refunding issue to fund the premium cost of the 9.75% bond redemption.

Given the Commission's findings in the earlier dockets regarding the \$50 million of excess, high-cost debt, Staff's proposed adjustment would remove the portion of the redemption costs associated with \$50 million of the \$87.1 million redemption.

If the Commission were to pass all the costs of the 2012 redemption on to ratepayers, it would burden current customers with the effects of AmerenIP's 2008 actions which were found by the Commission to be imprudent. That is, while the actions found to be imprudent were those taken in 2008, not 2012, AIC's proposal would adversely impact current customers by imposing on them the cost of redeeming long-term debt that the Commission has previously determined should not have been issued in the first place. AIC suggests given the merger of AIC operating utilities such a decision is no longer relevant. The Commission notes that at page 89 of its Initial Brief, AIC suggests that its affiliation with Ameren's merchant generating business is "unlikely to significantly impact AIC's cost of debt." While this may be true, pursuant to Section 9-230 of the Act, the Commission can not allow even a relatively insignificant impact on ratepayers. Furthermore, the Commission's reading of pages 39-40 of Staff's Reply Brief also suggests AIC's affiliation with the generation affiliate impacts AIC cost of debt, although not significantly. Based upon the record in its entirety, the Commission finds Staff's proposed adjustment to AIC's cost of long-term debt to be necessary and appropriate. The Commission concludes that AIC's cost of long-term debt is 7.10% for purposes of this proceeding.

#### **4. Balance and Embedded Cost of Short-Term Debt, including Cost of Credit Facilities**

**C. Overall Rate of Return on Rate Base**

- 1. Filing Year**
- 2. Reconciliation Year**

**VIII. COST OF SERVICE AND RATE DESIGN**

**IX. FORMULA RATE TARIFF**

**X. OTHER ISSUES**

**A. Resolved Issues**

**1. EIMA Plant Additions**

Staff agrees with the PO's conclusion regarding EIMA actual and projected plant additions, and to provide transparency to the Commission and to ratepayers, Staff recommends the additional language on pages 143-144 as follows:

Recommended Language:

Mr. Ostrander recommended that the Commission include language in its order in this proceeding identifying the details of the actual and projected plant additions by categories, and stated that categorization of the plant additions related to EIMA is required by Section 16-108.5(b)(2). AIC did not object to the categorization of the plant additions, but objected to the inclusion of the phrase "as required by Section 16-108.5(b)(2)" in Mr. Ostrander's proposed conclusion. In rebuttal testimony, Staff acknowledged that the categorization of the plant investments was flexible, and revised its proposed conclusion accordingly. AIC accepted this revised language, and therefore considers this issue resolved. The Commission is setting a revenue requirement in this proceeding for the recovery of \$19.9 million in actual 2012 plant additions and \$16.2 million of projected 2013 plant additions in compliance with EIMA. The detail of these actual and projected plant additions by categories is set forth below:

<b>Ameren Illinois Company</b>			
<b>EIMA Plant Additions</b>			
<b>(in Millions)</b>			
	<b>Actual</b>	<b>Projected</b>	
<b>Category</b>	<b>2012</b>	<b>2013</b>	<b>Cummulative</b>
Distribution Infrastructure Improvements	7.3	3.3	10.6
Training Facility Construction or Upgrade Projects	5.8	1.9	7.7
Wood Pole Inspection, Treatment, and Replacement	0.0	0.0	0.0
Total Electric System Upgrades, Modernization Projects, and Training Facilities	13.1	5.2	18.3
Additional Smart Meters	0.0	0.0	0.0
Distribution Automation (1)	5.9	8.8	14.7
Associated Cyber Secure Data Communications Network	0.6	2.2	2.8
Substation Micro-processor Relay Upgrades	0.3	0.0	0.3
Total Upgrade and Modernization of Transmission and Distribution Infrastructure and Smart Grid Electric System Upgrades	6.8	11.0	17.8
Total Plant Additions	19.9	16.2	36.1
<b>Notes:</b>			
(1) - Distribution Automation includes Volt/Var Optimization and Software and Technology Enhancements			

## **B. Contested Issues**

- 1. Use of Traditional Ratemaking Schedules in Formula Rate Proceedings**
- 2. Preparation of Exhibits, Schedules, and Workpapers in Formula Rate Proceedings**

## **XI. APPENDICES AND SCHEDULES**

### **A. Technical Correction #1**

Although in Staff's view, the suggested corrections below are all technical in nature and should not be controversial, Staff will present all three of them together as an exception for Technical Corrections.

1. The table presented on the bottom of Appendix A, Schedule 1 includes some technical errors that need to be corrected.

The amount shown under the column headed "Other Adjustments" should be stated in whole dollars consistent with the rest of the information included in the table. Therefore, the amount should be "(66,771,000)" rather than "(66,771)."

After making this correction, the corresponding amount on the same line in the column headed "Total Revenues" should be "762,075,000" rather than "828,779,229," and the corresponding amount of "Revenue Change" should be "(43,465,000)" rather than "23,239,229." Finally, the Total presented under the "Revenue Change" heading should be "\$ (96,630,000)" rather than "\$ (29,925,771)."

While the significance of the caption "Change in Total Revenues from Docket No. 12-0293" is unclear to Staff in this proceeding, the description as stated is misleading. The description should be "Change in Total Revenues since the

Inception of Formula Rates” rather than “Change in Total Revenues from Docket No. 12-0293” to correctly describe the amount.

In addition to the changes in the table, the final calculation for the percentage change should also be revised to make an “apples to apples” comparison of total approved revenues from Docket Nos. 12-0293 to 13-0301. The comparison shown on Appendix A, Schedule 1 is between (1) the Total Revenue from the Order in Docket No. 12-0293 including Other Revenues and (2) the Operating revenues less the reconciliation adjustment from the PO in this docket, excluding Other Revenues. This comparison should be between \$805,540,000 and \$762,075,000, resulting in a difference of (43,465,000) for a percentage change between Docket Nos. 12-0293 and 13-0301 of -5.40%.

The corrected dollar and percentage amounts described above, which result from the conclusions in the PO, should be carried through to Finding (13) on page 153 of the PO as shown below:

- (13) AIC should be authorized to place into effect the Rate MAP-P tariff informational sheets designed to produce annual base rate electric delivery service revenues of \$721,340,000, which represents a decrease of ~~\$43,465,000~~ ~~84,199,666~~ or ~~5.40~~ 10.45%; such revenues, in addition to other tariffed revenues, will provide AIC with an opportunity to earn the rates of return set forth in Findings (7) and (8) above; based on the record in this proceeding, this return is consistent with Public Acts 97-0616, 97-0646, and 98-0015;

Any changes to the adjustments as presented in the Appendices to the PO would likewise result in changes to the amounts stated in this technical correction.

2. The adjustment for Account 588 on Appendix A, Schedule 2, page 1 of 3, column (c) does not reflect the rejection of Staff's adjustment to disallow the Relocation Expense for Loss on Sale. The Relocation Expense for Loss on Sale adjustment proposed by Staff and rejected by the PO is \$43,000. (Staff RB, App. A, Sch. 10 at 2; Staff RB, App. B, Sch. 8 at 2.) Therefore, to reflect the conclusion in the PO concerning Relocation Expense – Loss on Sale, the amount on Appendix A, Schedule 2, page 1 of 3, column (c) should be (96) instead of (139). The same correction should also be made on Appendix B, Schedule 2, page 1 of 3, column (d).
  
3. The presentation of the PO's conclusion for Miscellaneous Other Operating Revenues in the Appendices to the PO should be revised to remove the impact of the Revenue adjustment on Uncollectibles Expense. As Staff explained in testimony, any changes to uncollectibles expense should be considered under the Uncollectible Rider EUA, rather than through the formula rate proceedings. (Staff Ex. 1.0 at 14:297-303.) The presentation of the AG adjustment to Miscellaneous Other Operating Revenues adopted by the Commission (PO at 46) should mirror the presentation of the Miscellaneous Revenue adjustment proposed by Staff and accepted by the Company and the Commission as an uncontested issue on Staff Ex. 1.0, Corrected Schedule 1.02 RY, p. 1, column (e) and Corrected Schedule 1.02 FY, page 1, column (d) by an increase to "Other Revenues" on line 2 and a decrease to "Operating Revenues" on line 1. The Company agreed to this presentation in rebuttal testimony. (Ameren Ex. 9.0 at 5-



6:104-126.) This presentation will remove the impact to uncollectibles expense for both the FY and RY Revenue Requirements.

**A. Technical Correction #2**

PO Appendix A and Appendix B Schedule 10, Cash Working Capital (“CWC”) should be modified to reflect certain adjustments made in Schedule 2 of the PO. PO Schedule 2 contains adjustments to operating expenses that are not reflected in the PO CWC schedules. This correction is needed so that the appropriate amount of each expense is matched to that expense’s expense lead days. The adjustments included in Appendix A under the column labeled “Incentive Comp Derivative Adj” on Schedule 2, p. 1, column (g) and in Appendix B under the column labeled “Incentive Compensation Derivative Costs” on Schedule 2, p. 3, column (t) relate to expenses that are listed separately from Other Operations and Maintenance Expenses (“Other O&M”) on the CWC schedules and are presented below. These adjustments relate to expenses that have expense lead days other than the days used for Other O&M. The adjustments on Schedule 2 that are not presented below are either not included in the CWC schedules or are included within Other O&M in the CWC schedules. This correction does not change the total outlays in the CWC schedules.

The following table indicates adjustments from Schedule 2 and their effect on the amounts to be used for Employee Benefits (line 5), FICA Tax (line 6), and Other Operations and Maintenance Expenses (line 8) on the CWC schedules.

Cash Working Capital Adjustment				
		Expense Items		
		Other O&M	Employee Benefits	FICA Tax
Adjustment		Line 8	Line 5	Line 6
As Presented in Proposed Order		\$ 186,747	\$ 42,444	\$ 7,871
Incentive Comp Derivative Adj/Costs		183	(103)	(80)
As Corrected		<u>\$ 186,930</u>	<u>\$ 42,341</u>	<u>\$ 7,791</u>

## XII. CONCLUSION

WHEREFORE, for all of the reasons set forth in Staff's Initial Brief, Reply Brief, and this BOE, Staff respectfully requests that the Commission's Order in this proceeding reflect all of Staff's recommendations regarding AIC's request for approval of its updated cost inputs for its Modernization Action Plan - Pricing tariff, Rate MAP-P and corresponding new charges.

November 25, 2013

Respectfully submitted,

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